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SAN MIGUEL ELECTRIC COOPERATIVE, INC.

VIA HAND DELIVERY AND EMAIL (Earl.Lott@tceq.texas.gov) March 12, 2019

Mr. Earl Lott, Director
Waste Permits
Texas Commission on Environmental Quality
12100 Park 35 Circle, Building F
Austin, Texas 78753

RE: San Miguel Electric Cooperative Inc.

RECEIVED

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WASTE PERMITS DIVISION
TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY

Dear Mr. Lott:

San Miguel Electric Cooperative, Inc. ("San Miguel") owns a 400 megawatt generating unit located in Atascosa County, Texas. The power plant is the sole generation asset for San Miguel, which is the major source of baseload power to approximately 280,000 homes and businesses. San Miguel is a cooperative corporation created under the Rural Electric Cooperative Act for its member rural electric cooperatives.

San Miguel has three units that are used for the ongoing management of coal combustion residuals ("CCR") and that are subject to the requirements of 40 CFR Part 257, Subpart D (the "CCR Rule"). The following CCR units are located at the power plant: (1) the Ash Pile; (2) the Ash Ponds; and (3) the Equalization Pond. In compliance with the referenced federal regulations, San Miguel installed a groundwater monitoring system for each CCR unit. The uppermost groundwater bearing unit that is monitored is the shallow unit referred to as Unit 22. This groundwater bearing unit is typically less than 50 feet deep in the vicinity of the power plant.

Based on ongoing monitoring of groundwater conditions at the site, there is evidence of an exceedance of a chemical of concern above state action levels in the shallow groundwater bearing unit, as well as statistically significant increases above standards established pursuant to the CCR Rule. San Miguel is performing a study to determine whether a source other than the CCR units is the cause of the latter exceedances, or that the increases have resulted from errors in sampling, analysis, statistical evaluation, or natural variation in groundwater quality. San Miguel intends to complete that study in the very near term and will follow-up accordingly. Notice of CCR Rule-regulated constituent exceedances was recently submitted to TCEQ, and is included for reference as Attachment 1.

San Miguel will comply with the provisions of 30 Tex. Admin. Code Ch. 350, the Texas Risk Reduction Program ("TRRP"), to delineate and characterize the groundwater for all

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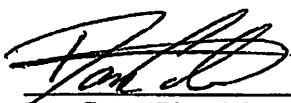
PM K. Denny

confirmed releases of chemicals of concern. As part of the affected property assessment, San Miguel will also evaluate the drainage areas surrounding its CCR units to evaluate the potential for any impacts.

In accordance with TRRP, San Miguel will define the affected property as well as the Protective Concentration Level Exceedance ("PCLE") zone and will use this information for the selection and development of any necessary response actions. San Miguel intends to meet with TCEQ prior to the submittal of its Affected Property Assessment Report ("APAR"), and Response Action Plan ("RAP") should a remedy be required, in an effort to obtain the Commission's input on the affected property assessment, as well as the selected remedy. Any response actions necessary to address findings from the affected property assessment will meet the requirements of Remedy Standard A (removal and/or decontamination of any PCLE zones). To that end, we ask that you notify us when a project manager has been assigned to this matter so that we can directly communicate with the project manager as this matter progresses.

As a result of these preliminary findings, and as part of its affected property assessment, San Miguel performed a water well survey to obtain information on water wells and sources of drinking water within a one mile radius of the power plant. The Water Well Report is included as Attachment 2. The Water Well Report indicates that there are a total of five water supply wells located within a one mile radius of the subject area. Of these wells, three are owned by San Miguel. Of these five wells, one is a "stock" well, one is a "public supply" well, and the remaining three are used for industrial purposes. The one "public supply" well is owned by San Miguel. Of note, none of these wells are located in Unit 22. In fact, whereas Unit 22 is typically less than 50 feet deep, the five water supply wells are installed at a depth greater than 3500 feet below ground surface. Based on this survey, there is no reasonable basis to anticipate exposure to the shallow groundwater bearing unit (Unit 22). San Miguel intends to supplement this Water Well Report with a field survey to confirm the findings of the survey, and will notify TCEQ should there be any discrepancies between the field survey and the findings of the Water Well Report.

As noted, San Miguel will commence the delineation process in the near term and will be conducting additional data evaluation to determine the chemicals of concern that are subject to TRRP, and will be happy to meet with TCEQ to discuss these efforts. Please call me should you want to schedule a meeting or if you would like to discuss in further detail.



Dan Cates, Plant Manager